



## Hong Kong Update – Insurance Authority Takes First Disciplinary Action (May 2021)

### Introduction

On 28 May 2021, the Hong Kong Insurance Authority (“IA”) announced that it has taken its first disciplinary action against two licensed insurance broker companies since taking over the direct regulation of insurance on 23 September 2019. The disciplinary action was taken as both broker companies failed to submit their audited financial statements and auditor’s reports (“audit documentation”) within the allotted six months following the end of their selected financial year end.

Even though the breaches occurred under the previous self-regulatory system, the IA handled this matter and took disciplinary action in accordance with the transitional arrangements in Schedule 11 of the Insurance Ordinance (Cap. 41).

The IA reminded the industry that it is a fundamental requirement that all licensed insurance broker companies submit their audit documentation within 6 months after the financial year end as these provide the IA with critical information about a broker companies’ financial status and how they comply with key regulatory requirements, and will continue to play an important part in ensuring that policy holder interests are safeguarded.

The IA has set the tone early and made it very clear that failures and shortcomings by license holders will lead to regulatory action. In this case, both broker companies have been fined and one of the companies has had its licence suspended.

If found guilty of the failure to file audit documentation within the prescribed time, an insurance broker company can be fined up to HK\$100,000 and a further HK\$500 each day that the audit documentation is late. Not only is there potential reputational and financial impact, but failure to submit audit documentation on time could call into question the fitness and properness of the broker company to remain licensed by the IA.

### How ComplianceAsia can help

As a licensed insurance broker with the IA, it is important that you have in place a detailed compliance calendar and a compliance monitoring plan that addresses your ongoing compliance and regulatory obligations. ComplianceAsia’s dedicated projects team can assist you with reviewing and updating your current compliance monitoring plans to ensure these plans meet all regulatory and industry best practice standards expected of a licensed insurance broker.

### About ComplianceAsia

ComplianceAsia is the longest established compliance consulting firm in Asia Pacific established in 2003 with offices in Hong Kong, Shanghai, Singapore, Tokyo and London. We have an unmatched track record of completing complex compliance consulting projects for financial firms in the APAC region.

With over 70 staff, including compliance experts with experience in dealing with the SFC, HKMA, MAS, CSRC, JFSA and Asian exchanges, we provide independent, unbiased advice on Asian financial industry legislation and regulations. Our international client base consists of asset managers, hedge funds, private equity funds, family offices, broker-dealers, insurers, wealth managers and investment banks.



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